

# MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS 2017/2018 TO 2019/2020



*Copies of this document can be viewed: In the foyers at 242 Langalibalele  
Street, PMB and at [www.umd.gov.za](http://www.umd.gov.za)*

## **Table of Contents**

- 1. Mayor's Report**
  - 2. Resolutions**
  - 3. Executive Summary**
  - 4. Budget Assumptions**
  - 5. Operating Budget Framework**
    - 5.1. Operating Revenue Framework**
    - 5.2. Operating Expenditure framework**
    - 5.3. Operating Expenditure Framework**
  - 6. Capital Expenditure**
  - 7. Summary key financial ratios**
  - 8. Quality Certificate**
- Annexures:**
- Prescribed budget schedules**

## 1. MAYOR'S REPORT

As a Water Services Authority, we are mandated to provide uninterrupted water supply and access to sanitation to all our 6 Local Municipalities within our District. As new Council we have adopted the Ten Point Plan as our strategic compass that will elevate and enhance our service delivery through to our 2021 vision. As we commence in the first year of our 5 year Integrated Development Plan, we plan to implement and institutionalise the following:

Our proposed budget for the 2017/18 financial year demonstrates the positive achievements of the past 16 years of local government transformation and continues to lay a firm foundation for the future of the District.

The 2017/18 medium term expenditure framework, consisting of a **R889.4 million** consolidated budget, has been developed in order to accelerate transformation towards an inclusive economy and participation by all. Through this we also aim to give hope to our youth through skills based training, provide economic opportunities and an enabling environment for businesses to flourish. Despite the tough economic times this budget will steer the district through the drought crisis and is also underpinned by cost containment measures which will allow a cost conscious spending.

As the District we have had challenges including our old and frail infrastructure thus experiencing large volumes of lost revenue. uMDM together with stakeholders such as the Department of Water Affairs & Sanitation, Umgeni Water have invested resources in ensuring 100% access to basic services is accomplished. This includes projects such as uMshwathi Bulk Water Project, which will see over 50 000 households accessing uninterrupted water supply. While the Hilton/ Merrivale Asbestos Replacement will start bearing fruits in the coming financial year. The unaccounted water loss that costs the municipality millions per annum will be significantly reduced by a large percentage.

Our plans and strategies are linked with the National Development Plan, and Vision 2030. We are forging ahead to ensure that we serve our citizens with quality, while cognisance of our external environment (such as rising costs of petrol, tariff increases, drought, unemployment, etc.).

Our focus will be to introduce a cost reflective tariff, aggressively collect revenue through households, businesses who owe the Municipality. We also encourage our citizens to be responsible citizens who pay for services rendered and/ received to further re-invest to other municipal projects. We also encourage qualifying citizens to apply for indigent support through the **Indigent Register Programme**, as this tremendously assists the district in identifying households who cannot afford the services provided and thus provides relief.

Drought impact continues to be a reality for the district, which has seen diminishing revenue due to the drought conservative use and other measures. Whilst we experienced rain during the summer, citizens are still encouraged to exercise a conservative reached comfort levels.

The past six financial year record speaks volumes. uMDM continues with the record of acquiring clean audits and practicing sound financial management. This was made possible by the past Political Leadership, Administration and staff that led diligently, transparent, with honour and accountability.

The Mandela Day Marathon which is the champion programme of the district, has grown in leaps & bounds over the year with 2016 seeing over 10 000 participants. The race is indeed one of the fastest growing marathons in Africa drawing international attention, and the district prides itself for the social cohesion, tourism and economic impact it has on not only the district but beyond.

## **2. RESOLUTIONS**

It is recommended that the Council:

- 2.1. Approves the proposed Tariff increases at a sliding scale, acting in terms of section 75A of the Local Government Municipal Systems Act (Act 32 of 2000 with effect from 01 July 2017.
- 2.2. The tariffs increase for the supply of water to a minimum of R 9.4 per KL increasing on a sliding scale based on consumption to a maximum of R 34.48 per KL.
- 2.3. The tariffs increase for the sanitation services to a minimum of R 4.89 increasing at a sliding scale based on consumption to a maximum of R10.5
- 2.4. Consider the First Draft multi- year 2017/2018 to 2019 /2020 annual budget and single capital appropriations for the 2017/2018 annual budget as follows:
  - 2.4.1. The Total Revenue of R 921.6 million.
  - 2.4.2. The Total Operating Expenditure of R 732 923 million.
  - 2.4.3. Total Capital Expenditure of R 201 million.
  - 2.4.4. The Surplus of R 156 445 million
- 2.5. Approves and recommends to Full Council the public participation meetings for the Proposed Budget and Proposed Review of the Integrated Development Plan to be carried in the month of April 2017.

### 3. EXECUTIVE SUMMARY

The proposed budget 2017/2018 is represented by funding to the value of R921.6m which is split between operating revenue of R722,6m and R201m in capital funding. This shows an increase in income of **2%** from the adjusted budget 2016/2017. The change in operating income is mainly boosted by an increase of **87%** in service charges with an introduction of the phased in cost reflective tariff structure. This has significantly influenced the sustenance of income even though there has been a significant reduction in other major funding sources of the budget. Both the Mandela Marathon sponsorship and Orio funding which collectively made up +R14m in operating income in 2016/2017 has been reduced to nil in the proposed budget until such time that there is certainty to the allocations in the 2017/2018 financial year. Borrowings which are a funding source for the capital budget have been reduced by R73m in the 2017/2018 as the implementation of the related projects approaches completion in the 2017/2018 financial year.

The operating expenditure proposed is R732,9m which reflects an increase of **8%** from the adjusted budget 2016/2017. Capital expenditure has reduced by **17%** in the 2017/2018 budget as no front loading will be pursued and lower borrowings will be utilised to finance the capital investment programme in the 2017/2018 budget year. **22%** of the budget will be spent on the capital investment which is a proposition better than the treasury guide of at least 10%-20% of capex to total expenditure.

Table 1

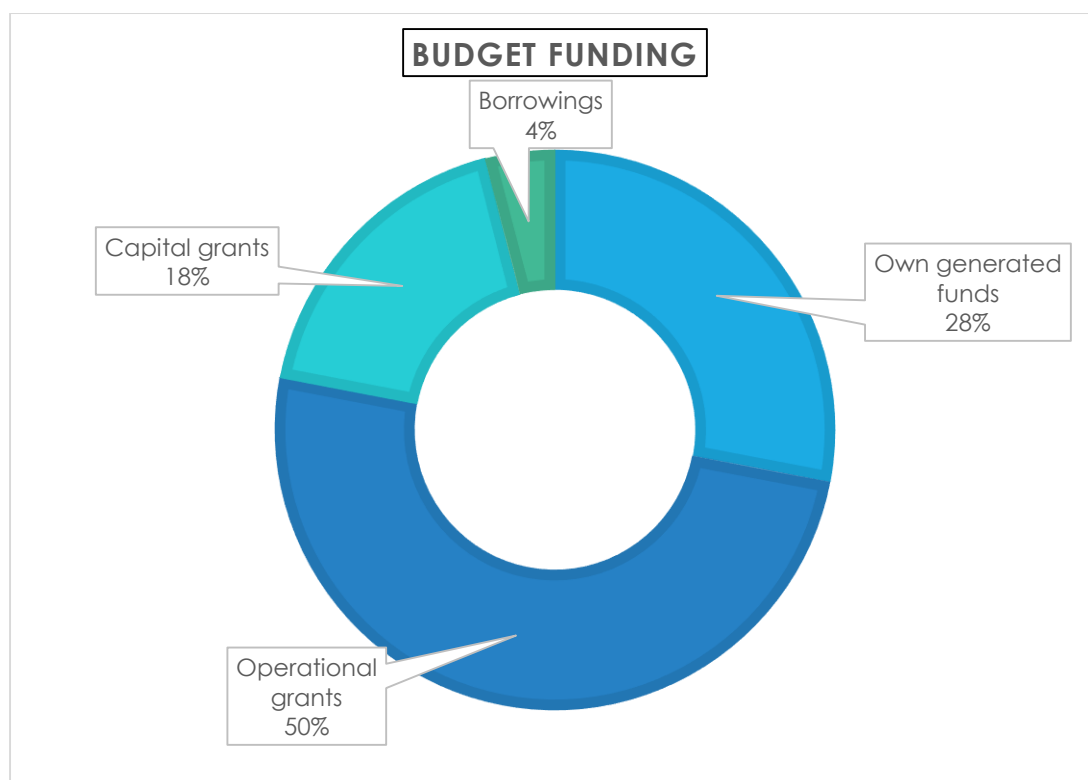
DC22 uMgungundlovu - Table A1 Consolidated Budget Summary										
Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Financial Performance</b>										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	132,685	116,303	125,454	159,650	122,461	122,461	122,461	228,996	339,878	359,591
Investment revenue	10,413	12,260	17,029	7,080	11,000	11,000	11,000	12,000	8,000	8,000
Transfers recognised - operational	348,651	376,281	417,197	434,490	432,840	432,840	432,840	461,456	488,308	530,340
Other own revenue	22,371	21,426	44,036	42,872	55,297	55,297	55,297	20,150	23,279	24,694
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>514,120</b>	<b>526,271</b>	<b>603,716</b>	<b>644,093</b>	<b>621,599</b>	<b>621,599</b>	<b>621,599</b>	<b>722,602</b>	<b>859,465</b>	<b>922,625</b>
Employee costs	157,176	176,152	178,932	191,692	200,462	200,462	200,462	224,194	237,421	251,192
Remuneration of councillors	9,944	10,836	10,523	13,189	10,756	10,756	10,756	11,086	11,740	12,421
Depreciation & asset impairment	56,330	83,433	-	31,800	51,800	51,800	51,800	46,713	49,470	52,339
Finance charges	2,976	2,433	8,458	14,081	7,000	7,000	7,000	23,019	-	-
Materials and bulk purchases	71,336	76,619	105,101	102,828	119,562	119,562	119,562	111,034	117,585	124,405
Transfers and grants	-	-	-	16,733	-	-	-	-	-	-
Other expenditure	249,096	286,540	270,662	241,922	288,172	288,172	288,172	316,877	335,572	355,214
<b>Total Expenditure</b>	<b>546,858</b>	<b>636,014</b>	<b>573,676</b>	<b>612,246</b>	<b>677,753</b>	<b>677,753</b>	<b>677,753</b>	<b>732,923</b>	<b>751,788</b>	<b>795,570</b>
<b>Surplus/(Deficit)</b>	<b>(32,738)</b>	<b>(109,743)</b>	<b>30,040</b>	<b>31,847</b>	<b>(56,154)</b>	<b>(56,154)</b>	<b>(56,154)</b>	<b>(10,321)</b>	<b>107,677</b>	<b>127,055</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	184,442	228,862	171,522	149,865	171,072	171,072	171,072	166,766	212,590	226,351
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>151,704</b>	<b>119,119</b>	<b>201,562</b>	<b>181,712</b>	<b>114,918</b>	<b>114,918</b>	<b>114,918</b>	<b>156,445</b>	<b>320,267</b>	<b>353,406</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>151,704</b>	<b>119,119</b>	<b>201,562</b>	<b>181,712</b>	<b>114,918</b>	<b>114,918</b>	<b>114,918</b>	<b>156,445</b>	<b>320,267</b>	<b>353,406</b>

Summarily the budget can be reconciled as reflected in the below table. It must be noted that Council has in the prior years utilised reserves to fast track implementation of the capital investment programme. The proposed budget has scaled down capital expenditure and is focused on the replenishment of reserves hence a cash surplus of R34m which is aimed at rebuilding reserves through depreciation.

Table 2

	Original Budget 2016 /2017	Adjustment Budget 2016 /2017	2017/2018	2018/2019	2019/2020
Total Funding	893,640,708.00	902,146,438.00	921,696,297.00	1,072,054,839.00	1,072,054,839.00
Operating Expenditure	(612,246,088.00)	(677,752,765.00)	(732,922,951.00)	(776,165,405.00)	(821,182,999.00)
<b>Available for Capital Expenditure</b>	<b>281,394,620.00</b>	<b>224,393,673.00</b>	<b>188,773,346.00</b>	<b>295,889,434.00</b>	<b>250,871,840.00</b>
Capital Expenditure	(201,268,000.00)	(242,586,897.00)	(201,043,637.00)	(212,590,000.00)	(226,351,000.00)
<b>Operating Surplus / Deficit</b>	<b>80,126,620.00</b>	<b>(18,193,224.00)</b>	<b>(12,270,291.00)</b>	<b>83,299,434.00</b>	<b>24,520,840.00</b>
ADD Back Depreciation	31,800,000.00	51,800,000.00	46,713,431.00	49,469,523.00	52,338,756.00
<b>Cash Surplus</b>	<b>111,926,620.00</b>	<b>33,606,776.00</b>	<b>34,443,140.00</b>	<b>132,768,957.00</b>	<b>76,859,596.00</b>
Less Front loading repayment	(50,793,998.00)	(50,793,998.00)	-		
<b>Cash surplus/deficit</b>	<b>61,132,622.00</b>	<b>(17,187,222.00)</b>	<b>34,443,140.00</b>		

68% of the budget funding will be coming from grants and only 28% from own generated funds which indicated a reduction in grant dependency by 3%.



In response to National Treasury's Circular 85, which encourages Municipalities to maintain tariffs that increases at levels that reflect appropriate balance between the affordability to the poorer households and other consumers while ensuring the sustainability of the municipality, the uMgungundlovu District Municipality has embarked in a tariff review structure that strive to achieve a cost reflective tariff.

#### **4. BUDGET ASSUMPTIONS AND KEY BUDGET FACTORS**

The following key factors were considered in the preparation of the proposed budget:

- 4.1. projected inflation rate of 6.1 % for the 2017 /2018 financial year, 5.9% and 5.8% for both the outer years 2019 – 2020 respectively.
- 4.2. 15% increase in bulk water cost from uMgeni water
- 4.3. 7.2% increase in electricity charges.
- 4.4. 7.86% increase in employee costs in line with the bargaining council agreement.
- 4.5. Job evaluation results have not been received and costed for impact
- 4.6. no increases in the number of water tankers hired.
- 4.7. Minimum of 65% collection rate on service charges
- 4.8. Repayment of R23million in interest charges repayable from the 2017/2018 budget year.

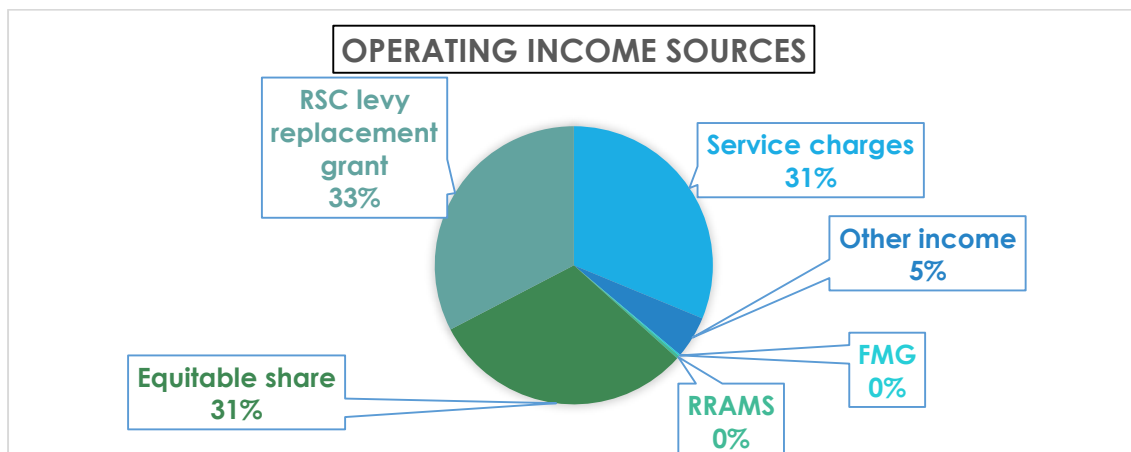
Other factors that have been considered in the preparation of the budget has been the slow economic growth conditions, reduced services consumption due to drought and the urgency of the introduction of a cost reflective tariff for the water business to ensure sustainability. Other critical factors were the aged infrastructure and the lack of resources to replace and maintain the infrastructure.

## 5.1 OPERATING REVENUE FRAMEWORK

The municipality has a total operating income of R722.6m derived as reflected in table 3. 36% of operating income will be generated internally with service charges representing 31% of operating income. Equitable share and RSC levy replacement grant will contribute 31% and 33% respectively towards operations. Other income is derived from investment income, interest on late payments, other service charges and other revenue as reflected in table A4 of the budget tables.

Table 3

Operating Income	Category	2017/2018
Service charges	Own generated funds	225,708,000.00
Other income	Own generated funds	35,438,660.00
FMG	Operational grant	1,250,000.00
RRAMS	Operational grant	2,526,000.00
Equitable share	Operational grant	221,842,000.00
RSC levy replacement grant	Operational grant	235,838,000.00
		<b>722,602,660.00</b>



The municipality is in the process of implementing a cost reflective tariff and strives to uplift its operations from being grant reliant to be self - funding and self – reliant. The proposed tariff has been structured as below.

The National Treasury encourages Municipalities to charge a cost reflective tariff to be able to recover its costs of providing the service, taking into account the cost of bulk services, cost of asset renewal & replacement, to allow for the growth of the service and a tariff that promotes conservative consumption.

As part of the revenue raising strategy, the Municipality had to revisit its tariff structure and propose the phasing in of a cost reflective tariff. The tariff increases are structured such that they promote conservative consumption, taking into account the affordability of the service to our indigent and poor households also taking into account the sustainability of the service.

The introduction of the tariff that promotes conservation and conservative methods will assist in response to the prevailing drought calamity that the country is facing. The proposed increase on the tariff structure, is based on the inclining block tariff model, which suggests steeper tariffs being charged to high consumption customers and businesses.

The proposed tariff structure is as follows:

**TABLE 4. PROPOSED WATER TARIFF INCREASES, DOMESTIC AND BUSINESS**

Household/Domestic							
	Consumption	2016/2017	Rand Value	2017 /2018	Rand Value	Change Tariff	% Change
0 - 6	263 683	7.74	2 040 906.42	9.4	2 477 660.39	1.66	21.4
6 -15	1 009 853	11.55	11 663 802.15	15.02	15 162 942.80	3.47	30
16 -25	1 003 083	12.72	12 759 215.76	17.81	17 862 902.06	5.09	40
26 -35	528 108	17.49	9 236 608.92	24.49	12 931 252.49	7	40
36 -60	714 981	23.32	16 673 356.92	33.81	24 176 367.53	10.49	45
60 +	1 434 324	28.4	40 734 801.60	41.18	59 065 462.32	12.78	45
			<b>93 108 691.77</b>		<b>131 676 587.59</b>		
Basic charge	30 000	16.5	495 000.00	23.04	691 069.50	6.54	39.61
Flat rate	3 909	100	390 900.00	139.61	545 735.49	39.61	39.61
			<b>885 900.00</b>		<b>1 236 804.99</b>		
<b>TOTAL HOUSEHOLDS</b>			<b>93 994 591.77</b>		<b>132 913 392.58</b>		
Business /Commercial							
0 -999999	3 616 260	14.09	50 953 103.40	20.43	73 881 999.93	6.34	45
<b>Builder/Construction Sites</b>	23 115	28.4	656 466.00	41.18	951 875.70	12.78	45
<b>NGO's (Public benefit)</b>	21 024	7.74	162 725.76	10.84	227 816.06	3.1	40
Basic charge	3 475	27.5	95 562.50	38.5	133 787.50	11	40
<b>WSA</b>		Cost + 5% Admin Fee					
<b>TOTAL COMMERCIAL</b>			<b>51 867 857.66</b>		<b>75 195 479.19</b>		
<b>Total Water</b>			<b>145 862 449.43</b>		<b>208 108 871.78</b>	<b>62 246 422.35</b>	

**TABLE 5. PROPOSED SANITATION TARIFF INCREASES, DOMESTIC AND BUSINESS**

Sewerage Tariff	Consumption	2016/2017	Rand Value	2017 /2018	Rand Value	Change Tariff	% Change
Household/Domestic							
	Consumption	2016/2017					
0 - 6	25 728	4.35	111 916.80	5.28	135 867.00	0.93	21.4
7 -15	430 089	6.47	2 782 675.83	8.41	3 617 478.58	1.94	30
16 -25	304 809	7.42	2 261 682.78	10.39	3 166 355.89	2.97	40
26+	519 652	8.65	4 494 989.80	12.54	6 517 735.21	3.89	45
					<b>13 437 436.68</b>		
Business /Commercial							
0 -9999999999	322 928	8.65	2 793 327.20	12.54	4 050 324.44	3.89	45
NGO's (public benefit)	21 024	4.35	91 454.40	5.28	111 025.64	0.93	21.4
					<b>4 161 350.08</b>		
<b>TOTAL SANITATION</b>					<b>17 598 786.76</b>		
<b>Disposal at waste water treatment plant</b>							
0 -9999999999	540 000	4.2	<b>2 268 000.00</b>	<b>6.09</b>	<b>3 288 600.00</b>		

As can be seen, from Table 4 and 5, the more conservative the consumption, the lesser the proposed tariff increase. The lowest average increase is 21.4 % which equates to the transfer of the proposed 15 % increase by the Bulk Water service provider –uMgeni and the average CPI Inflation rate of 6.1% as recommended by the National Treasury. A proposed 40% increase for the high domestic users and 45% increase for businesses. The Non Profit Organisations will benefit from the increase equivalent to the low consumption customers which is 21.4 %. With the introduction of the block inclining tariff, the Municipality has managed to raise its revenues by R 62.4 million on average based on 2016 /2017 tariffs and projected consumption patterns.

## 4.2 OPERATING EXPENDITURE FRAMEWORK

The core business for the municipality is to provide sustainable and quality drinking water and decent sanitation services. This is evident on the allocation of funds to the Technical Services Department. Table 6 below reflects an allocation of R 455 million to Technical Services Department which translate to just a little below 62.4 % of the operational budget which reflects and in line with the main focus of the municipality.

Table 6

Comparison : Adjustment Budget and 2017 /2018 Allocation					
Department	Adjustment Budget	% OPEX	2017 /2018 Allocation	% OPEX	change
Community Services	113,853,558.00	17%	123,064,743.00	17%	0%
Corporate Services	60,785,399.00	9%	52,082,631.00	7%	2%
Financial Services	43,049,662.00	6%	47,816,924.00	7%	0%
Municipal Manager's Office	46,739,203.00	7%	51,988,374.00	7%	0%
Technical Services	413,324,944.00	61%	455,444,279.00	62%	-1%
	<b>677,752,766.00</b>	<b>100</b>	<b>730,396,951.00</b>	<b>100</b>	

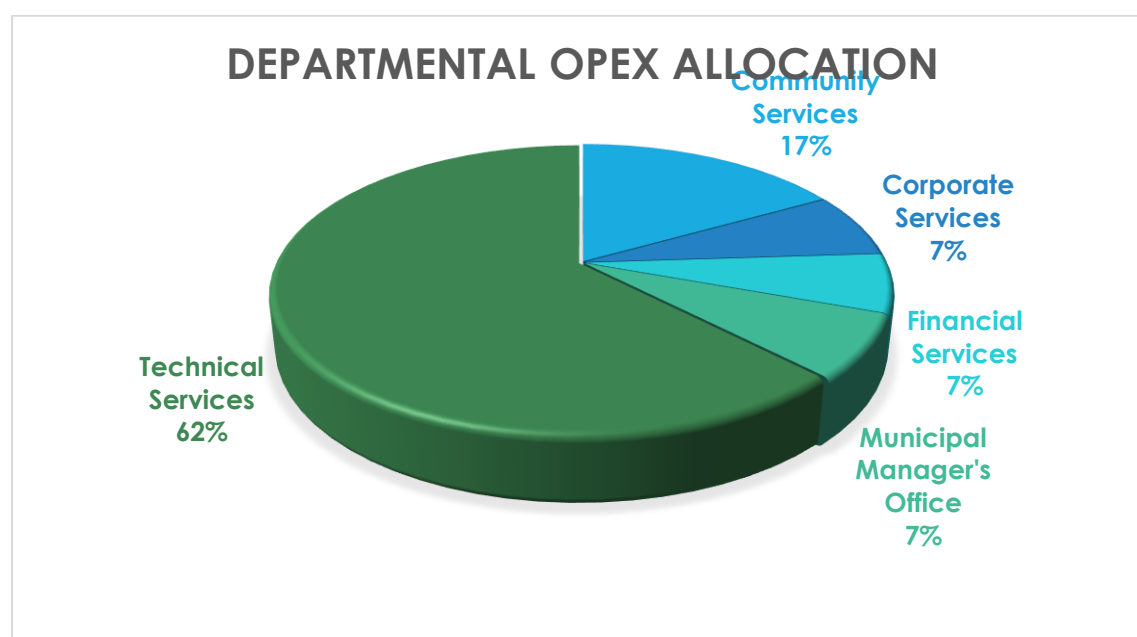


Table 6 above reflect the consistent high allocation of financial resources to the core function department. For the 2017/2018 proposed budget, Technical services will increase its allocation by 1.38%, whilst community services maintains its allocation to 17% of the operating expenditure. The support departments will each take an allocation of 7% of the opex budget.

Overall, the operational budget increased by 8% from the proposed adjustment budget, a rate which is above the inflation rate due to the increase on some items above the 6.1 CPI such as salaries at 7.81 and the repayment of R 23 million interest due for servicing the DBSA Loan.

The main expenditure categories for the operational expenditure are outlined in Table 7 below with Employee costs & councilor remuneration taking an allocation of 32%, followed by bulk water purchases at 15% then provision for bad debt at 11% and lastly water tanker hire at 8%. These costs collectively represent **66%** of total opex. The Municipality is exploring other avenues on reducing its contracted services in efforts to reduce unnecessary and over provision of some services which may lead to wastages.

Table 7

Main Operational Expenditure Items	Amount	Contribution
Salaries	224,193,897.00	31%
Councillor Remuneration	11,085,909.00	2%
Capital Charges	46,713,431.00	6%
Provision for Doubtful Debt	78,997,680.00	11%
Bulk Water Purchases	111,033,989.00	15%
Water Tanker Hire	59,773,857.00	8%
Vacuum Tanker Hire	3,223,757.00	0%
Water Quality and Process Management	32,011,154.00	4%
Operations and Maintenance Excluding Salaries	37,388,032.00	5%
Motor Vehicle Hire and Running Costs	13,000,000.00	2%
Security	6,500,000.00	1%
Consultants	8,958,286.00	1%
Telephones	4,725,463.00	1%
Licences	2,500,000.00	0%
Sports Promotion	3,320,000.00	0%
Art and Culture Promotion	1,266,000.00	0%
Rural Development and Heritage Alignment	1,369,500.00	0%
Youth Development Programs	4,100,000.00	1%
Mandela Day Marathon	3,000,000.00	0%
Development Agency	3,500,000.00	0%
Protective Clothing	3,500,000.00	0%
Maintenance Buildings and Equipment	4,000,000.00	1%
Interest Payable	23,019,000.00	3%
Tourism Programs and Promotion	2,200,000.00	0%
Communication Programs	1,985,000.00	0%
Intergovernmental Relations	2,898,000.00	0%
Local Economic Development	2,150,000.00	0%
Insurance - General	700,000.00	0%
Insurance - Group Life	3,100,000.00	0%
Employee Wellness and Assistance Programmes	750,000.00	0%
Staff Development and Training	1,250,000.00	0%
Women Development Programmes	340,000.00	0%
Children Programmes	220,000.00	0%
Senior Citizens and People Living with Disabilities	802,300.00	0%
Rural Assets Management Grant Expenditure	2,526,000.00	0%
Other Expenditure	26,821,696.00	4%
<b>TOTAL OPEX</b>	<b>732,922,951.00</b>	<b>100%</b>

### *Contracted services & operations and maintenance*

Table 8, reflects the categories of contracted services that the municipality has and plans to renew during the 2017/2018 financial year. The contracts are reviewed before the expiry date and performance is monitored on monthly bases. The contracted services will make up **38%** of the operating budget which is above the norm as set by treasury of at least 5%.

In the prior year contracted services represented 19% of the budget and this is mainly because of the nature of services provided by the district. If contracted services were converted to employee costs it would equally increase the employee costs threshold above the norm of 25%-40%. The sharp increase in contracted services contribution to total opex is due to bulk water purchases being classified as contracted services and the costs represent 40% of total contracted services. Excluding the bulk water purchases the contracted services would amount to 23% of total operating expenditure.

The operations and maintenance excluding salaries related to maintenance is at 5.1 % and when including salaries of R 70.6 million for Technical Services, the repairs and maintenance related expenditure increases to R 108 million which equates to 14.7 % of the operational budget. The treasury guidance is to at least set aside 8% of the value of Property Plant and Equipment. With the budget proposed the district will set aside 10% of the budget for repairs and maintenance which is above the norm as set by treasury. This budget is mainly to respond to planned maintenance situations as it is heavily contributed from salaries. The district is also in the process of developing a maintenance plan.

Table 8

CONTRACTED SERVICE	AMOUNT	
Water Tanker Hire	59,773,857.00	21%
Vacuum Tanker Hire	3,223,757.00	1%
Water Quality and Process Management	32,011,154.00	11%
Operations and Maintenance Waste Water Excluding Salaries	23,420,219.00	8%
Operations and Maintenance Water Excluding Salaries	13,967,813.00	5%
Motor Vehicle Hire and Running Costs	13,000,000.00	5%
Security	6,500,000.00	2%
Consultants -Other	5,483,286.00	2%
Consultants Information Technology	3,475,000.00	1%
Telephones	4,725,463.00	2%
Licences	2,500,000.00	1%
Bulk Water Purchases	111,033,989.00	40%
<b>TOTAL</b>	<b>279,114,538.00</b>	

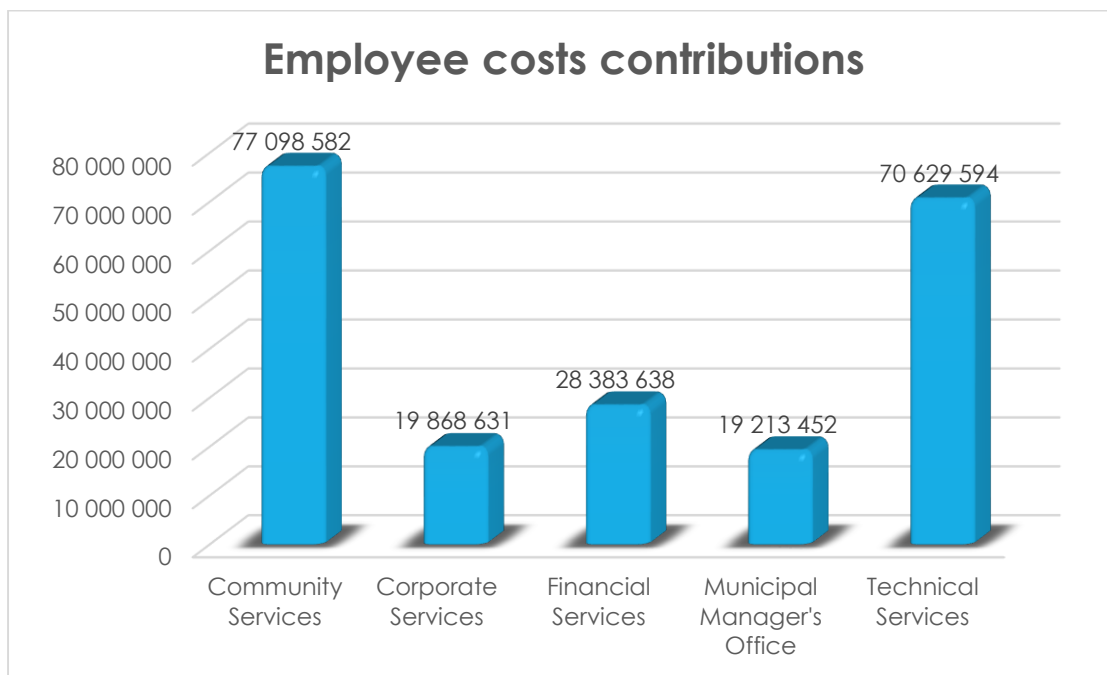
### *Salaries and Councillors allowances*

Salaries are at 30.9 % of the operational budget, combined with Councilor remuneration, the salaries budget is at 32.10 % which is within the norm.

The salaries budget is split as follows:

Table 9

Department	Salaries	Post-Employment Benefit	Total Salaries
Community Services	77 098 582		77 098 582
Corporate Services	19 868 631		19 868 631
Financial Services	28 383 638	9 000 000	37 383 638
Municipal Manager's Office	19 213 452		19 213 452
Technical Services	70 629 594		70 629 594
	215 193 897		224 193 897



A total of R 215.2 million is the payroll budget and a total of R 9 million is the post-employment benefit provision according to the policy however the position of the vacant Executive Manager Corporate Services has been budgeted for.

#### *Social investment programmes*

1% of the total operating budget will be invested in social development programmes as follows;

Programme	Amount	%
Sports Promotion	3,320,000.00	33%
Art and Culture Promotion	1,266,000.00	13%
Youth Development Programs	4,100,000.00	41%
Women Development Programmes	340,000.00	3%
Children Programmes	220,000.00	2%
Senior Citizens and People Living with Disabilities	802,300.00	8%
	<b>10,048,300.00</b>	

## 5. CAPITAL EXPENDITURE

The commitment by the municipality to invest in the provision of quality services can be identified by the allocation of funds to the essential service – which is water provision.

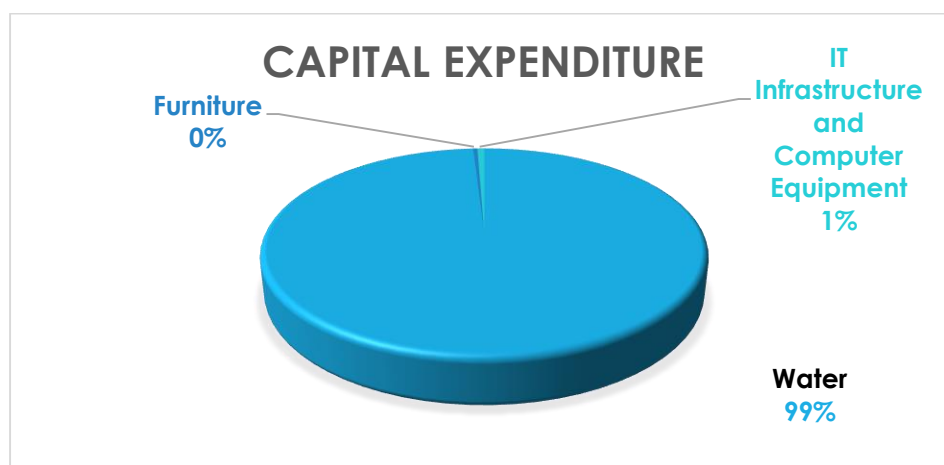
Almost 100% of the capital budget is allocated to the water function, which is aimed to advance the implementation of projects and ensure limited service interruptions and new capital investment in the service where the service delivery is a backlog.

Table 10

Capital Project List 2017/2018						
Project name	Asset classification	Municipal Vote	Municipal area	Municipal ward	Funding source	Amount
Umshwathi regional bulk Water supply	Water Assets	Technical Services	Umshwathi LM	All wards	WSIG	62,998,000.00
Manzamnyama water supply scheme	Water Assets	Technical Services	Mkhambathini LM	ward 3	MIG	26,272,666.00
Nkanyezini water supply scheme	Water Assets	Technical Services	Mkhambathini LM	ward 3	MIG	26,272,666.00
Manyavu water supply scheme	Water Assets	Technical Services	Mkhambathini LM	ward 3	MIG	26,272,666.00
Maqonqo water supply scheme	Water Assets	Technical Services	Mkhambathini LM	ward 1	MIG	24,950,000.00
Hilton AC pipe replacement	Water Assets	Technical Services	Umgenti LM	ward 6	Borrowings	32,327,639.00
IT infrastructure	IT infrastructure & computer equipment	Executive and Council	uMgungundlovu DM	Municipal offices	Internal funding	1,200,000.00
Furniture	Furniture and fittings	Corporate Services	uMgungundlovu DM	Municipal offices	Internal funding	750,000.00
Rural Roads Asset Management strategy	Project expense	Technical Services	uMgungundlovu DM	All of UMDM	RRAMS	2,526,000.00
						<b>203,569,637.00</b>
Less non capital assets						(1,200,000.00)
						(750,000.00)
						(2,526,000.00)
<b>Total capital asset investment</b>						<b>199,093,637.00</b>

The total capital budget is R203.6 million which according to Table 13, which 97.8% will be spent on water related assets. An amount of R 2.5 million will be expensed as it relates to expenditure that cannot be capitalized due to the nature of the assets being acquired leaving a balance of R 201 million. Due to financial management and avoidance in over investing on the service, the municipality will limit the investment on capital infrastructure implementation to be grant funded and the balance of the draw down loan which will be received during the 2017 financial year. The Mkhambathini area projects have been identified for prioritization in the 2016/2017 budget as the areas with highest number of water tanker hire and as such as part of the district strategy to reduce water tankering the areas can give quick wins in reducing water tanker dependency.

For institutional development and improvement of work flow efficiencies, the municipality anticipates to invest R 1.2 million for the upgrade of its ICT infrastructure.



## 6. SUMMARY OF KEY FINANCIAL RATIOS

### Key Financial Ratios

#### ASSET MANAGEMENT

Capital Expenditure to Total Expenditure

Repairs & Maintenance as % of PPE & IP

#### LIABILITY MANAGEMENT

Capital Cost as % of Operating Revenue (Excl Front loading)

Total Borrowings as % of Revenue (Excl Front loading)

#### EFFICIENCY

Net Operating Surplus Margin

#### EXPENDITURE MANAGEMENT

Remuneration as % of Total Operating Expenditure

Contracted Services % of Total Operating Expenditure

		Audited 2013/2014	Audited 2014/2015	Audited 2015/2016	Forecast 2017/2018
<b>Norm</b>					
10% - 20%		17%	27%	32%	22%
8%		1%	2%	1%	10%
6% - 8%		1%	3%	3%	6%
45%		12%	57%	42%	46%
= or > 0%		19%	-6%	-2%	5%
25% - 40%		30%	29%	28%	32%
2% - 5%		26%	21%	23%	38%

### **Municipal manager's quality certificate**

I, TLS Khuzwayo, Municipal Manager of uMgungundlovu District Municipality, hereby certify that the Medium Term Revenue and Expenditure Forecasts for 2017/2018 and documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name    SIBUSISO KHUZWAYO

Signature    \_\_\_\_\_

Date    \_\_\_\_\_